

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED**

**JUNE 30, 2010**

**HARRINGTON & ASSOCIATES, LTD.**  
**CERTIFIED PUBLIC ACCOUNTANT**

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2010

Board Members:

Pat Fastnacht - Board President  
Jeff Messmer - Vice President  
David Caffee  
Phillip Edwards  
Carmen Weber  
Linda Willman  
Tate VonEye

Superintendent:

Lance Witte

Business Manager:

Julie Kraft

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
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# HARRINGTON & ASSOCIATES, LTD.

## CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

School Board  
Wessington Springs School District No. 36-2  
Jerauld County, South Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wessington Springs School District No. 36-2, Jerauld County, South Dakota, as of June 30, 2010 and for the year then ended which collectively comprise Wessington Springs School District's basic financial statements and have issued our report thereon dated November 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wessington Springs School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wessington Springs School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, and the governing board and management of the Wessington Springs School District No. 36-2, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §.320, this report is a matter of public record and its distribution is not limited.

*Harrington & Associates, LTD*

Huron, South Dakota

November 22, 2010

# HARRINGTON & ASSOCIATES, LTD.

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### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

School Board  
Wessington Springs School District No. 36-2  
Jerauld County, South Dakota

#### Compliance

We have audited the compliance of the Wessington Springs School District No. 36-2, South Dakota with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Wessington Springs School District No. 36-2, South Dakota complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, the governing board and management of the Wessington Springs School District No. 36-2, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §\_\_.320, this report is a matter of public record and its distribution is not limited.

*Hamington & Associates, JTD.*

Huron, South Dakota

November 22, 2010



WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

PRIOR FEDERAL COMPLIANCE AUDIT FINDINGS:

The prior audit report contained no written audit comments.

PRIOR OTHER AUDIT FINDINGS:

The prior audit report contained no written comments.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

**Summary of the Independent Auditor's Results:**

**Financial Statements**

- a. An unqualified opinion was issued on the financial statements of each opinion unit.
- b. Our audit did not disclose any noncompliance which was material to the financial statements.

**Federal Awards**

- c. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- d. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- e. The federal awards tested as major programs were:
  - 1. Child Nutrition Cluster
  - 2. Special Education Cluster
  - 3. Title I Grants to Local Educational Agencies CFDA # 84.010
- f. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- g. Wessington Springs School District No. 36-2 did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:

There are no written current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

There are no written current other audit findings to report.

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### INDEPENDENT AUDITOR'S REPORT

School Board  
Wessington Springs School District No. 36-2  
Jerauld County, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wessington Springs School District No. 36-2, Jerauld County, South Dakota, as of and for the year ended June 30, 2010, which collectively comprise Wessington Springs School District's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of Wessington Springs School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Wessington Springs School District No. 36-2 as of June 30, 2010, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 22, 2010 on our consideration of Wessington Springs School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and, should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 9 through 17 and 48 through 55, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations listed in the Table of Contents are presented for purposes of additional analysis and is a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Hawington & Associates, P.C.*

Huron, South Dakota  
November 22, 2010

## **WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2 MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Wessington Springs School District 36-2 annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2010. Please read it in conjunction with the School's financial statements, which follows this section.

### **FINANCIAL HIGHLIGHTS**

- During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$358,076 more than the \$3,164,265 governmental and business-type program expenditures. The increase is mostly due to a 40% increase in operating grants.
- The total cost of the School's programs increased by approximately 3%, primarily due to controlling supply expenses, staffing costs and increases in programs due to ARRA funding.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. The only proprietary fund operated by the school is the Food Service Operation.
  - Fiduciary fund statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Figure A-1 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-1**

**Major Features of Wessington Springs School's Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds and the fiduciary component units)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs.	Activities the School operates similar to private businesses, the food service operation.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Net Assets *Statement of Cash Flows	*Statement of Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	

## **WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2 MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Government-Wide Statements**

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- Increases or decreases in the School's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the School are reported in two categories:

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund is the only business-type activity of the School.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes.

The School has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- **Proprietary Funds** – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund (one type of proprietary fund) is the only proprietary fund maintained by the School.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Assets**

Table A-1

**Wessington Springs School District 36-2**

	Statement of Net Assets					
	Governmental			Business-Type		
	Activities		Activities		Total	
	2009	2010	2009	2010	2009	2010
Current and Other Assets	\$ 2,309,768	\$ 2,690,639	\$ 23,421	\$ 34,830	\$ 2,333,189	\$ 2,725,469
Capital Assets	1,460,441	1,427,530	396	-	1,460,837	1,427,530
<b>Total Assets</b>	<b>\$ 3,770,209</b>	<b>\$ 4,118,169</b>	<b>\$ 23,817</b>	<b>\$ 34,830</b>	<b>\$ 3,794,026</b>	<b>\$ 4,152,999</b>
<hr/>						
Long Term Debt	\$ 118,288	\$ 96,525	\$ 1,399	\$ 1,485	\$ 119,687	\$ 98,010
Outstanding Other Liabilities	185,672	210,184	6,020	4,082	191,692	214,266
<b>Total Liabilities</b>	<b>303,960</b>	<b>306,709</b>	<b>7,419</b>	<b>5,567</b>	<b>311,379</b>	<b>312,276</b>
<hr/>						
<b>Net Assets:</b>						
Invested in Capital Assets	1,361,089	1,358,908	396	-	1,361,485	1,358,908
Restricted	901,539	1,086,839	16,002	29,263	917,541	1,116,102
Unrestricted	1,203,621	1,365,713	-	-	1,203,621	1,365,713
<b>Total Net Assets</b>	<b>\$ 3,466,249</b>	<b>\$ 3,811,460</b>	<b>\$ 16,398</b>	<b>\$ 29,263</b>	<b>\$ 3,482,647</b>	<b>\$ 3,840,723</b>
<hr/>						
Beginning Net Assets	\$ 3,122,599	\$ 3,466,249	\$ 15,564	\$ 16,398	\$ 3,138,163	\$ 3,482,647
Increase (Decrease) in Net Assets	\$ 343,650	\$ 345,211	\$ 834	\$ 12,865	\$ 344,484	\$ 358,076
<hr/>						
Percentage of Increase (Decrease) in Net Assets	11.01%	9.96%	5.36%	78.45%	10.98%	10.28%

The district's combined net assets of \$3.8 million is approximately \$358,000 or 10% larger than on June 30, 2009. The majority of the increase came from the governmental activities.



**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of compensated absences payable, have been reported in this manner on the Statement of Net Assets. The difference between the school's assets and liabilities is its net assets.

**Changes in Net Assets**

The district's total revenues (excluding transfers) totaled \$3,522,341 (See Table A-4.) This was a 3.6% increase. Approximately 61% of the district's revenue comes from property and other taxes, with another 21% from state aid. (See Table A-2)

Table A-2  
Wessington Springs School District 36-2  
Sources of Revenues

Taxes	\$ 2,144,033	60.87%
State Sources	734,038	20.84%
Operating Grants & Contributions	497,330	14.12%
Charges for Services	58,608	1.66%
Miscellaneous	79,001	2.24%
Unrestricted Investment Earnings	9,331	0.26%
Total Revenue	<u>\$ 3,522,341</u>	<u>100.00%</u>

The district's total expenses totaled \$3,164,265. (See Table A-4.) This was a 3.5% increase. The School's expenses cover a range of services, encompassing instruction, support services, cocurricular and food services. The increase is primarily due to increases support services, increased fuel/heating costs, and food service. (See Table A-3)

Table A-3  
Wessington Springs School District 36-2  
Statement of Expenditures

Instruction	\$ 1,682,609	53.18%
Support Services	1,171,333	37.02%
Community Services	13,250	0.42%
Nonprogrammed Charges	7,751	0.24%
Interest on Long Term Debt	7,527	0.24%
Cocurricular Activities	141,820	4.48%
Food Service	139,975	4.42%
Total Expenses	<u>\$ 3,164,265</u>	<u>100.00%</u>

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GOVERNMENTAL ACTIVITIES:**

Table A-4 and the narrative that follows considers the operations of the governmental activities.

**Table A-4  
Wessington Springs School District 36-2  
Changes in Net Assets**

	Total Governmental Activities		Total Business-Type Activities		Total		Total Percentage Change
	2009	2010	2009	2010	2009	2010	
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$ 31,765	\$ 16,892	\$ 43,711	\$ 41,716	\$ 75,476	\$ 58,608	-22.3%
Operating Grants and Contributions	254,893	387,100	96,705	110,230	351,598	497,330	41.4%
General Revenues							
Taxes	2,285,817	2,144,033	-	-	2,285,817	2,144,033	-6.2%
Revenue State Sources	620,324	733,157	-	881	620,324	734,038	18.3%
Other General Revenues	62,133	79,001	-	-	62,133	79,001	27.1%
Unrestricted Investment Earnings	5,468	9,318	-	13	5,468	9,331	70.6%
<b>Total Revenues</b>	<b>3,260,400</b>	<b>3,369,501</b>	<b>140,416</b>	<b>152,840</b>	<b>3,400,816</b>	<b>3,522,341</b>	<b>3.6%</b>
<b>Expenses</b>							
Instruction	1,688,638	1,682,609	-	-	1,688,638	1,682,609	-0.4%
Support Services	1,087,357	1,171,333	-	-	1,087,357	1,171,333	7.7%
Community Services	-	13,250	-	-	-	13,250	100.0%
Nonprogrammed Charges	-	7,751	-	-	-	7,751	100.0%
Interest on Long Term Debt	-	7,527	-	-	-	7,527	100.0%
Cocurricular Activities	140,755	141,820	-	-	140,755	141,820	0.8%
Food Service/Concessions	-	-	139,582	139,975	139,582	139,975	0.3%
<b>Total Expenses</b>	<b>2,916,750</b>	<b>3,024,290</b>	<b>139,582</b>	<b>139,975</b>	<b>3,056,332</b>	<b>3,164,265</b>	<b>3.5%</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 343,650</b>	<b>\$ 345,211</b>	<b>\$ 834</b>	<b>\$ 12,865</b>	<b>\$ 344,484</b>	<b>\$ 358,076</b>	<b>-3.9%</b>
<b>Ending Net Assets</b>	<b>\$ 3,466,249</b>	<b>\$ 3,811,460</b>	<b>\$ 16,398</b>	<b>\$ 29,263</b>	<b>\$ 3,482,647</b>	<b>\$ 3,840,723</b>	<b>10.3%</b>

## **WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2 MANAGEMENT'S DISCUSSION AND ANALYSIS**

Revenues for the School's governmental activities increased 3.3% and expenses for governmental activities increased by 3.7%. The largest increase in revenue is approximately a 52% increase in grants received which included ARRA and the Clean Air Act (bus). The largest increase in expenditures is a 10.3% increase in support services, largely due to the purchase of a bus, a suburban and the rising fuel/heating costs.

### **BUSINESS-TYPE ACTIVITIES**

Net assets of the School's business-type activities increased by approximately \$13,000. Factors contributing to this result included:

- The school received approximately \$14,000 more in federal reimbursements and grants in fiscal year 2010 than they did in fiscal year 2009.
- The school had slight increase in expenses due to controlling expenses throughout the year.

### **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

The General, Capital Outlay, Special Education and Pension Funds had increases in their fund balances of approximately \$191,000, \$107,000, \$102,000 and \$9,900, respectively. The General Fund increase is mainly due to SB 91 which allows certain General Fund expenditures to be taken out of the Capital Outlay Fund instead. Also the General Fund received money from the Wind Farm tax. Both the Capital Outlay Fund and the Special Education Fund received new federal grants in FY10.

### **BUDGETARY HIGHLIGHT**

Over the course of the year, the School Board revised the School budget several times. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district which include supplemental budget items for REAP and Title I, Title II D grant, and website services. Contingency transfers of \$21,635 were needed for the summer PASS program, transportation repairs, and yearbooks.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

### **CAPITAL ASSET ADMINISTRATION**

By the end of 2010, the district had invested \$1,427,530 in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) There is a 2.3% decrease in net capital assets for the governmental activities due to the disposal of a bus and to the normal increase in accumulated depreciation. Business-type activities capital assets are zero because they are older and are depreciated out.

## WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2 MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table A-5**  
**WESSINGTON SPRINGS SCHOOL DISTRICT - Capital Assets**  
(net of depreciation)

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2009	2010	2009	2010	2009-2010	2009-2010
Land	\$ 14,500	\$ 14,500	\$ -	\$ -	\$ -	0.00%
Buildings	1,100,442	1,052,992	-	-	(47,450)	-4.31%
Improvements Other Than Buildings	54,961	47,618	-	-	(7,343)	-13.36%
Machinery and Equipment	290,538	312,420	396	-	21,486	7.39%
<b>Total Capital Assets (Net)</b>	<b>\$ 1,460,441</b>	<b>\$ 1,427,530</b>	<b>\$ 396</b>	<b>\$ -</b>	<b>\$ (33,307)</b>	<b>-2.28%</b>

This year's major capital asset purchases were a 2009 bus, a suburban and some library books.

### LONG-TERM DEBT

At year-end the School had \$98,010 in long-term obligations. See Table A-6 below.

**Table A-6**  
**WESSINGTON SPRINGS SCHOOL DISTRICT - Outstanding Debt and Obligations**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2009	2010	2009	2010	2009-2010	2009-2010
Financing Lease	\$ 99,352	\$ 68,622	\$ -	\$ -	\$ (30,730)	-30.93%
Early Retirement	-	8,397	-	-	8,397	100.00%
Compensated Absences	18,936	19,506	1,399	1,485	656	3.23%
<b>Total Outstanding Debt and Obligations</b>	<b>\$ 118,288</b>	<b>\$ 96,525</b>	<b>\$ 1,399</b>	<b>\$ 1,485</b>	<b>\$ (21,677)</b>	<b>-18.11%</b>

The School is liable for the accrued sick leave payable to the various employees who have five consecutive years or more of employment at the school district.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School's current economic position has shown little change. With the exception of the general fund, the increase in property valuation allows the School the ability to increase the amount of revenue generated from property taxes, however, the total amount that can be levied, is limited by the State of South Dakota. With no increase in State funding and decreases in property values, the district will need to control expenditures. Grants will continue to play a factor in the offering of new programs and increase reading services to our elementary.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

One of the primary sources of revenue to the School is based on a per student allocation received from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4,804.60 plus a \$663.20 small school adjustment per pupil, thus the district received a slight increase in state aid and taxes.

The school's enrollment for the last two years has been as follow:

**Table A-7, Wessington Springs School District ADM  
For the Last Two Years**

<u>YEAR</u>	<u>ADM</u>	<u>Percent</u>
2010	298	4.20%
2009	286	5.15%

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Wessington Springs School's Business Office, 302 Dakota Avenue N, Wessington Springs, SD 57382.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 976,528	\$ 32,224	\$ 1,008,752
Investments	600,000	-	600,000
Taxes Receivable	1,033,733	-	1,033,733
Incidental Imprest Account	1,000	-	1,000
Inventories	29,431	2,324	31,755
Other Assets	49,947	282	50,229
Capital Assets:			
Land	14,500	-	14,500
Other Capital Assets, Net of Depreciation	1,413,030	-	1,413,030
<b>TOTAL ASSETS</b>	<b>\$ 4,118,169</b>	<b>\$ 34,830</b>	<b>\$ 4,152,999</b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 8,682	\$ -	\$ 8,682
Other Current Liabilities	201,502	4,082	205,584
Noncurrent Liabilities:			
Due Within One Year	42,456	-	42,456
Due in More than One Year	54,069	1,485	55,554
<b>TOTAL LIABILITIES</b>	<b>306,709</b>	<b>5,567</b>	<b>312,276</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets	1,358,908	-	1,358,908
Restricted for:			
Capital Outlay	492,508	-	492,508
Special Education	516,971	-	516,971
Pension	77,360	-	77,360
Food Service	-	29,263	29,263
Unrestricted	1,365,713	-	1,365,713
<b>TOTAL NET ASSETS</b>	<b>3,811,460</b>	<b>29,263</b>	<b>3,840,723</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,118,169</b>	<b>\$ 34,830</b>	<b>\$ 4,152,999</b>

The accompanying notes are an integral part of these financial statements.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	
Primary Government:			
Governmental Activities:			
Instruction	\$ 1,682,609	\$ 2,750	
Support Services	1,171,333	-	
Community Services	13,250	-	
Nonprogrammed Charges	7,751	-	
Interest on Long Term Debt	7,527	-	
Cocurricular Activities	141,820	14,142	
Total Governmental Activities	3,024,290	16,892	
Business-Type Activities			
Food Service	139,975	41,716	
Total Business-Type Activities	139,975	41,716	
Total Primary Government	\$ 3,164,265	\$ 58,608	

The accompanying notes are an integral part of these financial statements.

NET (EXPENSE) REVENUE AND  
CHANGES IN NET ASSETS

PROGRAM REVENUES		PRIMARY GOVERNMENT			
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ 387,100	\$ -	\$ (1,292,759)	\$ -	\$ (1,292,759)	
-	-	(1,171,333)	-	(1,171,333)	
-	-	(13,250)	-	(13,250)	
-	-	(7,751)	-	(7,751)	
-	-	(7,527)	-	(7,527)	
-	-	(127,678)	-	(127,678)	
387,100	-	(2,620,298)	-	(2,620,298)	
110,230	-	-	11,971	11,971	
110,230	-	-	11,971	11,971	
\$ 497,330	\$ -	(2,620,298)	11,971	(2,608,327)	

GENERAL REVENUES:

Taxes:				
Property Taxes	2,044,990	-		2,044,990
Gross Receipts Taxes	99,043	-		99,043
Revenue from State Sources:				
State Aid	733,157	881		734,038
Unrestricted Investment Earnings	9,318	13		9,331
Other General Revenues	79,001	-		79,001
Total General Revenues	2,965,509	894		2,966,403
Change in Net Assets	345,211	12,865		358,076
Net Assets-Beginning	3,466,249	16,398		3,482,647
Net Assets-Ending	\$ 3,811,460	\$ 29,263	\$	3,840,723



WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	GENERAL FUND	CAPITAL OUTLAY FUND
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 445,119	\$ 238,842
Investments	-	270,000
Taxes Receivable--Current	545,164	265,274
Taxes Receivable--Delinquent	8,632	3,037
Due From Other Government	42,477	-
Inventory of Supplies	29,431	-
Advance Payments	1,000	-
<b>TOTAL ASSETS</b>	<b>\$ 1,071,823</b>	<b>\$ 777,153</b>
<b>LIABILITIES AND FUND BALANCES:</b>		
Liabilities:		
Accounts Payable	8,682	-
Contracts Payable	128,511	-
Payroll Deductions and Withholding and Employer Matching Payable	54,127	-
Deferred Revenue	553,796	268,311
<b>Total Liabilities</b>	<b>745,116</b>	<b>268,311</b>
<b>Fund Balances:</b>		
Reserved Fund Balances:		
Inventory	29,431	-
Unreserved Fund Balances:		
Designated for Cash Flow	263,287	380,578
Undesignated	33,989	128,264
<b>Total Fund Balances</b>	<b>326,707</b>	<b>508,842</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,071,823</b>	<b>\$ 777,153</b>

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND	PENSION FUND	TOTAL GOVERNMENTAL FUNDS
\$ 232,863	\$ 59,704	\$ 976,528
310,000	20,000	600,000
168,752	38,064	1,017,254
3,183	1,627	16,479
7,470	-	49,947
-	-	29,431
-	-	1,000
<u>\$ 722,268</u>	<u>\$ 119,395</u>	<u>\$ 2,690,639</u>

-	-	8,682
14,461	-	142,972
4,403	-	58,530
171,935	39,691	1,033,733
<u>190,799</u>	<u>39,691</u>	<u>1,243,917</u>

-	-	29,431
37,303	12,400	693,568
494,166	67,304	723,723
<u>531,469</u>	<u>79,704</u>	<u>1,446,722</u>
<u>\$ 722,268</u>	<u>\$ 119,395</u>	<u>\$ 2,690,639</u>

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010

Total Fund Balances - Governmental Funds	\$	1,446,722
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	The cost of capital assets are Accumulated depreciation is Net	\$ 3,441,616 <u>(2,014,086)</u>	1,427,530
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Long-term liabilities, including a financing lease, early retirement payable, and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	Accrued leave payable Bonds Payable Capital Purchase Payable Net	(68,622) (8,397) <u>(19,506)</u>	(96,525)
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Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures, and therefore are deferred in the funds.	General Fund receivable General Fund delinquent Net	545,164 <u>8,632</u>	553,796
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Capital Outlay Fund receivable Capital Outlay Fund delinquent Net	265,274 <u>3,037</u>	268,311
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Special Education fund receivable Special Education fund delinquent Net	168,752 <u>3,183</u>	171,935
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Pension fund receivable Pension fund delinquent Net	38,064 <u>1,627</u>	39,691
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Net Assets-Governmental Funds	\$	<u>3,811,460</u>
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The accompanying notes are an integral part of these financial statements.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	GENERAL FUND	CAPITAL OUTLAY FUND
<b>Revenues:</b>		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 1,103,438	\$ 502,629
Prior Years' Ad Valorem Taxes	8,372	3,579
Gross Receipts Taxes	99,043	-
Penalties and Interest on Taxes	3,123	1,276
Tuition and Fees		
Regular Day School Tuition	2,750	-
Earnings on Investments and Deposits	1,383	3,160
Cocurricular Activities:		
Admissions	14,142	-
Other Revenue from Local Sources:		
Rentals	445	-
Contributions & Donations	-	337
Charges for Services	15,152	-
Other	32,091	121
Revenue from Intermediate Sources:		
County Sources:		
County Apportionment	17,870	-
Revenue in Lieu of Taxes	5,225	1,265
Revenue from State Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	731,157	-
Other State Revenue	2,000	-
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from Federal Government Through the State	204,350	64,000
Other Federal Revenue	1,245	-
<b>Total Revenue</b>	<b>2,241,786</b>	<b>576,367</b>

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND		PENSION FUND		TOTAL GOVERNMENTAL FUNDS	
\$	393,214	\$	86,411	\$	2,085,692
	3,398		728		16,077
	-		-		99,043
	1,197		261		5,857
	-		-		2,750
	3,936		839		9,318
	-		-		14,142
	-		-		445
	-		-		337
	1,249		-		16,401
	140		-		32,352
	-		-		17,870
	954		204		7,648
	-		-		731,157
	-		-		2,000
	117,505		-		385,855
	-		-		1,245
	521,593		88,443		3,428,189

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2010

	GENERAL FUND	CAPITAL OUTLAY FUND
<b>Expenditures:</b>		
Instruction:		
Regular Programs:		
Elementary	567,731	36,733
Middle School	145,170	6,411
High School	414,652	33,393
Special Programs:		
Programs for Special Education	-	-
Educationally Deprived	119,308	-
Support Services:		
Support Services - Pupils:		
Guidance	37,742	-
Health	1,132	-
Psychological	-	-
Speech Pathology	-	-
Student Therapy Services	-	-
Support Services - Instructional Staff:		
Improvement of Instruction	3,062	-
Educational Media	98,260	2,774
Support Services - General Administration:		
Board of Education	44,693	18,968
Executive Administration	46,253	2,578
Support Services - School Administration:		
Office of the Principal	148,719	823
Other	1,714	-
Support Services - Business:		
Fiscal Services	68,888	2,974
Operation and Maintenance of Plant	167,609	165,895
Pupil Transportation	111,005	56,089
Support Services - Special Education		
Administrative Costs	-	-
Community Services:		
Care & Custody of Children	12,700	-
Nonprogrammed Charges:		
Early Retirement Payments	-	-
Debt Services	-	38,258
Cocurricular Activities:		
Combined Activities	110,521	12,001
Capital Outlay	623	89,633
<b>Total Expenditures</b>	<b>2,099,782</b>	<b>466,530</b>
<b>Excess of Revenue Over Expenditures</b>	<b>142,004</b>	<b>109,837</b>

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND	PENSION FUND	TOTAL GOVERNMENTAL FUNDS
-	23,125	627,589
-	6,740	158,321
-	17,315	465,360
242,411	-	242,411
-	-	119,308
-	1,700	39,442
-	-	1,132
35,707	-	35,707
50,212	-	50,212
27,149	-	27,149
-	-	3,062
-	3,990	105,024
-	-	63,661
-	1,795	50,626
-	6,370	155,912
-	-	1,714
-	1,825	73,687
-	3,695	337,199
-	440	167,534
21,476	-	21,476
-	550	13,250
-	7,751	7,751
-	-	38,258
-	2,415	124,937
-	-	90,256
376,955	77,711	3,020,978
144,638	10,732	407,211

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2010

	GENERAL FUND	CAPITAL OUTLAY FUND
<b>Other Financing Sources (Uses):</b>		
Transfers In	46,731	-
Transfer Out	-	(3,160)
Sale of Surplus Property	295	-
Compensation for Loss of General Capital Assets	3,653	-
Total Other Financing Sources (Uses)	<u>50,679</u>	<u>(3,160)</u>
Net Change in Fund Balances	192,683	106,677
Change in Reserves	(1,703)	-
Fund Balance - Beginning	<u>135,727</u>	<u>402,165</u>
Fund Balance - Ending	<u>\$ 326,707</u>	<u>\$ 508,842</u>

The accompanying notes are an integral part of these financial statements.



SPECIAL EDUCATION FUND	PENSION FUND	TOTAL GOVERNMENTAL FUNDS
-	-	46,731
(42,732)	(839)	(46,731)
-	-	295
-	-	3,653
(42,732)	(839)	3,948
101,906	9,893	411,159
-	-	(1,703)
429,563	69,811	1,037,266
\$ 531,469	\$ 79,704	\$ 1,446,722

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES TO THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

Total net change in fund balances - governmental funds \$ 411,159

Amounts reported for governmental activities in the statement of activities are different because:

<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.</p>	<p>Capital Outlays Depreciation Expense Net</p>	<p>\$ 90,256 <u>(123,167)</u></p>	<p>(32,911)</p>
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<p>Payment on principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.</p>	<p>Financing Lease Payable</p>	<p><u>30,731</u></p>	<p>30,731</p>
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<p>Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities. The amount reported is the change in deferred tax revenues from last year.</p>	<p>Taxes Receivable - Current Taxes Collected: July - December, 2009</p>	<p>1,017,254 <u>(1,079,890)</u></p>	<p>(62,636)</p>
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<p>Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.</p>	<p>Sick Leave</p>	<p>571</p>	
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<p>Supplies acquired are an expenditure on the fund statements when purchased but are expensed on the statement of activities when consumed. This amount represents the "change in" inventory of supplies.</p>		<p><u>(1,703)</u></p>	
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<p>Change in net assets of governmental activities</p>	<p><u>\$ 345,211</u></p>
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The accompanying notes are an integral part of these financial statements.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
BALANCE SHEET  
PROPRIETARY FUNDS  
JUNE 30, 2010

	<u>ENTERPRISE FUNDS</u> <u>FOOD SERVICE</u> <u>FUND</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 32,224
Accounts Receivable, Net	282
Inventory of Supplies	206
Inventory of Stores Purchased for Resale	532
Inventory of Donated Food	<u>1,586</u>
Total Current Assets	<u>34,830</u>
Capital Assets:	
Machinery and Equipment--Local Funds	14,140
Less: Accumulated Depreciation	<u>(14,140)</u>
Total Noncurrent Assets	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 34,830</u></b>
<b>LIABILITIES:</b>	
Current Liabilities:	
Payroll Deductions and Withholdings and Employer Matching Payable	2,213
Deferred Revenue	<u>1,869</u>
Total Current Liabilities	<u>4,082</u>
Noncurrent Liabilities:	
Accrued Leave Payable	<u>1,485</u>
Total Noncurrent Liabilities	<u>1,485</u>
<b>NET ASSETS:</b>	
Unrestricted Net Assets	<u>29,263</u>
Total Net Assets	<u>29,263</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 34,830</u></b>

The accompanying notes are an integral part of these financial statements.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS (DEFICIT)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	ENTERPRISE FUNDS
	FOOD SERVICE
	FUND
<b>Operating Revenue:</b>	
Sales:	
To Pupils	\$ 37,288
To Adults	4,027
Other	401
Total Operating Revenue	41,716
<b>Operating Expenses:</b>	
Food Service:	
Salaries	43,931
Employee Benefits	18,514
Purchased Services	27,700
Cost of Sales - Supplies	2,710
Cost of Sales - Purchased Food	36,575
Cost of Sales - Donated Food	9,967
Miscellaneous	182
Depreciation Expense	396
Total Operating Expenses	139,975
Operating Loss	(98,259)
<b>Nonoperating Revenue:</b>	
Investment Earnings	13
State Sources:	
Cash Reimbursements	881
Federal Sources:	
Cash Reimbursements	99,528
Donated Food	10,702
Total Nonoperating Revenue	111,124
Change in Net Assets	12,865
Net Assets - Beginning	16,398
Net Assets - Ending	\$ 29,263

The accompanying notes are an integral part of these financial statements.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	ENTERPRISE FUNDS FOOD SERVICE FUND
<b>Cash Flows from Operating Activities:</b>	
Receipts from Customers	\$ 41,986
Payments to Suppliers	(68,840)
Payments to Employees	(62,351)
Net Cash Used by Operating Activities	(89,205)
<b>Cash Flows from Noncapital Financing Activities:</b>	
Cash Reimbursements - State	881
Cash Reimbursements - Federal	99,528
Net Cash Provided by Noncapital Financing Activities	100,409
<b>Cash Flows from Investing Activities:</b>	
Cash Received for Interest	13
Net Cash Provided by Investing Activities	13
Net Increase in Cash and Cash Equivalents	\$ 11,217
Cash and Cash Equivalents at Beginning of Year	\$ 21,007
Cash and Cash Equivalents at End of Year	32,224
Net Decrease in Cash and Cash Equivalents	\$ 11,217
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Operating Loss	\$ (98,259)
Adjustments to Reconcile Operating Loss to	
Net Cash Used by Operating Activities:	
Depreciation Expense	396
Noncash Cost of Sales-Commodities	9,967
Change in Assets and Liabilities:	
Accounts Receivable	438
Inventories	105
Accounts Payable	(1,777)
Deferred Revenue	(169)
Accrued Wages Payable	8
Accrued Leave Payable	86
Net Cash Used by Operating Activities	\$ (89,205)
<b>Noncash Investing, Capital and Financing Activities:</b>	
Value of Commodities Received	\$ 10,702

The accompanying notes are an integral part of these financial statements.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2010

	AGENCY FUNDS
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 24,254
<b>TOTAL ASSETS</b>	<u>\$ 24,254</u>
<b>LIABILITIES:</b>	
Amounts Held for Others	\$ 24,254
<b>NET ASSETS</b>	<u>-</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 24,254</u>

The accompanying notes are an integral part of these financial statements.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Financial Reporting Entity:

The reporting entity of Wessington Springs School District No. 36-2, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on the organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to government entities in the United States of America.

b. Basis of Presentation:

**Government-Wide Financial Statements:** The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

The Statement of Net Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets). Net assets are displayed in three components, as applicable, invested in capital assets, net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:



WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

**Governmental Funds:**

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding the capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund: A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Special Education Fund: A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance that reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

Pension Fund: A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

**Proprietary Funds:**

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

Food Service Fund: A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

**Fiduciary Funds:**

Fiduciary Funds are never considered to be major funds.

Agency Funds - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains several agency funds for various class years, clubs, and athletic teams which account for the monies earned for the various class, club or team projects.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

**Measurement Focus:**

**Government-Wide Financial Statements:** In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

**Fund Financial Statements:** In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

**Basis of Accounting:**

**Government-Wide Financial Statements:** In the government-wide Statement of Net Assets and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

c. Measurement Focus and Basis of Accounting: (cont'd)

**Basis of Accounting:** (cont'd)

accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

**Fund Financial Statements:** All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Wessington Springs School District 36-2, the length of that cycle is sixty days. The revenues which are accrued at June 30, 2010 are grants due from state and federal government.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The business-type activities and enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

d. Interfund Eliminations and Reclassifications:

**Government-Wide Financial Statements:** In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund balances in the fund financial statements have been eliminated or reclassified, as follows:

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

d. Interfund Eliminations and Reclassifications: (cont'd)

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

**Fund Financial Statements:** Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "due from" asset accounts) are considered "available spendable resources."

e. Inventory:

Inventory is valued at the lower of cost or market. The cost valuation method is first in first out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

For the governmental activities and proprietary fund types, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the government-wide and the fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The school had approximately \$29,400 in governmental activity inventories as of June 30, 2010.

f. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

f. Capital Assets: (cont'd)

**Government-Wide Financial Statements:** All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the estimated fair value on the date donated.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2010 balance of capital assets for governmental activities and business-type activities are all valued at original cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ --	--	--
Land Improvements	\$ 5,000	Straight-line	20 years
Buildings	\$ 5,000	Straight-line	50 years
Machinery & Equipment	\$ 5,000	Straight-line	5-30 years

Land, an inexhaustible capital asset, is not depreciated.

**Fund Financial Statements:** In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

g. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

g. Long-Term Liabilities: (cont'd)

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources) and payment of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is the accrual basis, the same in the fund statements as it is in the government-wide statements.

h. Program Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

j. Accumulated Unpaid Vacation and Sick Leave:

Annual leave is earned by the employees at the rate of zero to 25 days per year depending on position. Upon termination, employees are not entitled to receive compensation for their accrued annual leave balance.

Sick leave is earned by the employees at the rate of ten to twelve days per year depending on position. Upon termination, employees who have worked five consecutive years or more for the district are entitled to receive \$10 per day up to 80 days for unused sick leave days if they leave the School District.

k. Deferred Revenue:

Under the modified accrual basis of accounting, receivables, such as taxes receivable, may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

l. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. The enterprise fund has access to its cash resources on demand. Accordingly, all reported deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

m. Equity Classifications:

**Government-Wide Financial Statements:** Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

m. Equity Classifications: (cont'd)

3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Fund Financial Statements:** Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

n. Application of Net Assets:

It is the School District's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

o. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-loan



WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (CONT'D)

fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

**Deposits** - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost plus interest, if the account is of the add-on type.

**Interest Rate Risk** - The School District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk** - The School District places no limit on the amount that may be invested in any one issuer.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investments to the General Fund for all governmental funds.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (CONT'D)

The United States generally accepted accounting principles, on the other hand, requires income from deposits and investments to be recorded in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

3. PROPERTY TAX:

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

4. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the fiscal year ended June 30, 2010 is as follows:

Primary Government:

	<u>Balance 7/01/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/10</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 14,500	\$ --	\$ --	\$ 14,500
Capital assets, being depreciated:				
Buildings	2,319,682	--	--	2,319,682
Improvements Other Than Buildings	311,503	--	--	311,503
Machinery and Equipment	760,745	90,256	55,071	795,930
Totals	<u>3,391,930</u>	<u>90,256</u>	<u>55,071</u>	<u>3,427,115</u>
Less accumulated depreciation for:				
Buildings	1,219,240	47,450	--	1,266,690
Improvements Other Than Buildings	256,542	7,343	--	263,885
Machinery and Equipment	470,207	68,374	55,071	483,510
Total accumulated depreciation	<u>1,945,989</u>	<u>123,167</u>	<u>55,071</u>	<u>2,014,085</u>
Total capital assets, being depreciated, net	<u>1,445,941</u>	<u>(32,911)</u>	<u>--</u>	<u>1,413,030</u>
Governmental activity capital assets, net	<u>\$ 1,460,441</u>	<u>\$ (32,911)</u>	<u>\$ --</u>	<u>\$ 1,427,530</u>
Depreciation expense was charged to functions as follows:				
Governmental activities:				
Instruction				\$ 70,191
Support Services				36,093
Cocurricular Activities				16,883
Total depreciation expense-governmental activities				<u>\$ 123,167</u>

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

4. CHANGES IN CAPITAL ASSETS: (CONT'D)

	<u>Balance</u> <u>7/01/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/10</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and Equipment	\$ 14,140	\$ --	\$ --	\$ 14,140
Totals	<u>14,140</u>	<u>--</u>	<u>--</u>	<u>14,140</u>
Less accumulated depreciation for:				
Machinery and Equipment	<u>13,744</u>	<u>396</u>	<u>--</u>	<u>14,140</u>
Total accumulated depreciation	<u>13,744</u>	<u>--</u>	<u>--</u>	<u>14,140</u>
Total capital assets, being depreciated, net	<u>396</u>	<u>(396)</u>	<u>--</u>	<u>--</u>
Business-type activity capital assets, net	<u>\$ 396</u>	<u>\$ (396)</u>	<u>\$ --</u>	<u>\$ --</u>

There was \$396 in depreciation expense charged to business-type activities for fiscal year 2010. As of 6/30/10, all capital assets have been depreciated out.

5. LONG-TERM LIABILITIES:

A summary of changes in long-term debt follows:

	<u>Balance</u> <u>7/01/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/10</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Financing Lease:	\$ 99,352	\$ --	\$ 30,730	\$ 68,622	\$ 33,059
Early Retirement	--	8,397	--	8,397	8,397
Compensated Absences	<u>18,936</u>	<u>2,771</u>	<u>2,201</u>	<u>19,506</u>	<u>1,000</u>
	<u>\$ 118,288</u>	<u>\$ 11,168</u>	<u>\$ 32,931</u>	<u>\$ 96,525</u>	<u>\$ 42,456</u>

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

5. LONG-TERM LIABILITIES: (CONT'D)

	Balance <u>7/01/09</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/10</u>	Amount Due Within <u>One Year</u>
Business Activities:					
Compensated Absences	\$ <u>1,399</u>	\$ <u>141</u>	\$ <u>54</u>	\$ <u>1,486</u>	\$ <u>--</u>

Compensated absences for governmental activities typically have been liquidated from the General and Special Education Funds.

Debt payable at June 30, 2010 is comprised of the following:

Financing Lease:

The School District entered into a Lease-Purchase Agreement with Leaf Financial for purchase of computers. Total finance is \$137,610. Payable in 4 annual payments of \$38,258. Annual interest rate of 7.325%.

\$ 68,622

Early Retirement

\$ 8,397

Compensated Absences

\$ 19,506

The annual requirements to amortize the financing lease outstanding at June 30, 2010, are as follows:

	<u>Financing Lease</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	33,059	5,199	38,258
2012	35,563	2,695	38,258
	<u>\$ 68,622</u>	<u>\$ 7,894</u>	<u>\$ 76,516</u>

6. OPERATING LEASES:

The School District was entered in a twelve year operational agreement with Spring Valley Hutterian Brethren, Inc for the lease of a school building which started in 1998 and ended as of the end of FY10. They then entered into a five-year operational agreement with the Spring Valley Hutterian Brethren, Inc. on July 1, 2010. The agreement states that the Spring Valley colony leases

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

6. OPERATING LEASES: (CONT'D)

the school building on the colony premises to the Wessington Springs School District for \$7,500 per year. Rental payments made by the school shall be used exclusively for building improvements and maintenance for the school building. Various covenants and restrictions apply to this lease agreement. Payments are made from the Capital Outlay Fund.

The School District entered into an agreement to lease a copier for a thirty-six (36) month period on July 9, 2009. The monthly payment is \$524.50 for the lease and \$454.17 for 545,000 copies per year. The agreement contains various covenants, restrictions, and provisions. Payments are made from the Capital Outlay Fund.

The School District entered into a lease agreement with Total Building, LLC on December 1, 2009 for the lease of half of a building to house school busses in. The school pays \$655 a month. The property will then be leased on a yearly basis with a possibility of a 3% increase in rent over the previous year. Payments are made from the Capital Outlay Fund.

The following are the minimum payments on existing operating leases:

<u>Year</u>	<u>Spring Valley School</u>	<u>Copier</u>	<u>Bus Garage</u>	<u>Total</u>
2011	7,500	11,744	3,275	22,519
2012	7,500	1,957	--	9,457
2013	7,500	--	--	7,500
2014	7,500	--	--	7,500
2015	7,500	--	--	7,500

7. INTERFUND ACTIVITY:

Transfers to/from other funds at June 30, 2010, consist of the followings:

\$ 7,935	Transfers from the other governmental funds to the General Fund for income earned on deposits.
<u>38,786</u>	Transfer from Special Education to the General Fund per House Bill 1020.
<u>\$46,731</u>	

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

8. RESTRICTED NET ASSETS:

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Assets:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 492,508
Special Education	Law	516,971
Pension	Law	77,360
Food Service	Federal Regulation	29,263
		<u>\$ 1,116,102</u>

9. DESIGNATED FUND BALANCES:

As authorized by SDCL 13-11-2, the school board has determined that a year-end minimum unreserved fund balance of \$693,568 is necessary to protect the school district's cash liquidity from July 1, through mid-November of the subsequent fiscal year. This amount is reported as Unreserved Fund Balance Designated for Cash Flow Funding in the affected funds.

10. RETIREMENT PLAN:

All employees, except for non-contracted staff, participate in the South Dakota Retirement System, (SDRS) a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the years ended June 30, 2010, 2009, and 2008 were \$88,006, \$89,651, and \$90,695, respectively, equal to the required contributions each year.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

11. RISK MANAGEMENT:

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2010, the School District managed its risks as follows:

Employee Health Insurance

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School district pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

The School District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Workmen's Compensation

The School District purchases liability insurance for workmen's compensation from a commercial carrier.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2010, no claims for unemployment benefits were paid.

At June 30, 2010, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.



## REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION  
WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
<b>Revenues:</b>		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 1,091,000	\$ 1,091,000
Prior Years' Ad Valorem Taxes	3,000	3,000
Gross Receipts Taxes	94,000	94,000
Penalties and Interest on Taxes	3,000	3,000
Tuition and Fees		
Regular Day School Tuition	-	-
Earnings on Investments and Deposits	6,000	6,000
Cocurricular Activities:		
Admissions	15,000	15,000
Other Revenue from Local Sources:		
Rentals	200	200
Charges for Services	12,000	12,000
Other	30,000	30,000
Revenue from Intermediate Sources:		
County Sources:		
County Apportionment	15,000	15,000
Revenue in Lieu of Taxes	-	-
Revenue from State Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	758,000	758,000
Other State Revenue	-	-
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from Federal Government Through the State	216,704	216,704
Other Federal Revenue	-	-
Total Revenue	2,243,904	2,243,904

ACTUAL AMOUNTS (BUDGETARY BASIS)		VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)	
\$	1,103,438	\$	12,438
	8,372		5,372
	99,043		5,043
	3,123		123
	2,750		2,750
	1,383		(4,617)
	14,142		(858)
	445		245
	15,152		3,152
	32,091		2,091
	17,870		2,870
	5,225		5,225
	731,157		(26,843)
	2,000		2,000
	204,350		(12,354)
	1,245		1,245
	2,241,786		(2,118)

REQUIRED SUPPLEMENTARY INFORMATION  
WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
<b>Expenditures:</b>		
Instruction:		
Regular Programs:		
Elementary	625,488	627,668
Middle School	163,524	163,524
High School	472,720	472,720
Special Programs:		
Educationally Deprived	137,699	137,699
Support Services:		
Pupils:		
Attendance and Social Work	-	800
Guidance	42,654	42,654
Health	1,200	1,200
Support Services - Instructional Staff:		
Improvement of Instruction	-	4,000
Educational Media	101,048	101,648
Support Services - General Administration:		
Board of Education	58,378	58,378
Executive Administration	48,276	48,576
Support Services - School Administration:		
Office of the Principal	154,865	155,615
Other	6,300	6,300
Support Services - Business:		
Fiscal Services	81,420	81,420
Operation and Maintenance of Plant	177,020	177,020
Pupil Transportation	141,422	156,422
Community Services:		
Care & Custody of Children	10,958	13,393
Cocurricular Activities:		
Combined Activities	150,669	154,869
Contingencies	100,000	100,000
Amount Transferred (Enter as Negative)		(21,635)
Total Expenditures	2,473,641	2,482,271
Excess of Revenue Over (Under) Expenditures	(229,737)	(238,367)
<b>Other Financing Sources (Uses):</b>		
Transfers In	38,796	38,796
Sale of Surplus Property	-	-
Compensation for Loss of General Capital Assets	-	-
Total Other Financing Sources	38,796	38,796
Net Change in Fund Balances	(190,941)	(199,571)
Change in Reserves	-	-
Fund Balance - Beginning	135,727	135,727
Fund Balance - Ending	\$ (55,214)	\$ (63,844)

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
567,731	59,937
145,170	18,354
414,652	58,068
119,308	18,391
-	800
37,742	4,912
1,132	68
3,062	938
98,883	2,765
44,693	13,685
46,253	2,323
148,719	6,896
1,714	4,586
68,888	12,532
167,609	9,411
111,005	45,417
12,700	693
110,521	44,348
-	100,000
-	(21,635)
2,099,782	382,489
142,004	380,371
46,731	7,935
295	295
3,653	3,653
50,679	11,883
192,683	392,254
(1,703)	(1,703)
135,727	-
\$ 326,707	\$ 390,551

REQUIRED SUPPLEMENTARY INFORMATION  
WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
CAPITAL OUTLAY FUND  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
<b>Revenues:</b>		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 529,800	\$ 529,800
Prior Years' Ad Valorem Taxes	2,000	2,000
Penalties and Interest on Taxes	1,000	1,000
Earnings on Investments and Deposits	-	-
Other Revenue from Local Sources:		
Contributions & Donations	-	-
Other	-	-
Revenue from Intermediate Sources:		
Revenue in Lieu of Taxes	-	-
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from Federal Government Through the State	64,000	64,000
<b>Total Revenue</b>	<b>596,800</b>	<b>596,800</b>
<b>Expenditures:</b>		
Instruction:		
Regular Programs:		
Elementary	127,500	127,500
Middle School	15,000	15,000
High School	176,000	176,000
Support Services - Instructional Staff:		
Educational Media	4,800	4,800
Support Services - General Administration:		
Board of Education	25,000	25,000
Executive Administration	3,000	3,000
Support Services - School Administration		
Office of Principal	3,000	3,000
Support Services - Business:		
Fiscal Services	6,200	6,200
Operation and Maintenance of Plant	233,000	233,000
Pupil Transportation	156,000	156,000
Debt Services	45,900	45,900
Cocurricular Activities:		
Combined Activities	25,000	25,000
<b>Total Expenditures</b>	<b>820,400</b>	<b>820,400</b>
Excess of Revenue Over (Under) Expenditures	(223,600)	(223,600)
<b>Other Financing Sources (Uses):</b>		
Transfer Out	-	-
<b>Total Other Financing Sources (Uses):</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(223,600)</b>	<b>(223,600)</b>
<b>Fund Balance - Beginning</b>	<b>402,165</b>	<b>402,165</b>
<b>Fund Balance - Ending</b>	<b>\$ 178,565</b>	<b>\$ 178,565</b>

ACTUAL AMOUNTS (BUDGETARY BASIS)		VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	
-------------------------------------	--	--	--

\$	502,629	\$	(27,171)
	3,579		1,579
	1,276		276
	3,160		3,160
	337		337
	121		121
	1,265		1,265
	64,000		-
	576,367		(20,433)

	36,733		90,767
	6,411		8,589
	33,393		142,607
	3,907		893
	18,968		6,032
	2,578		422
	823		2,177
	2,974		3,226
	165,895		67,105
	144,589		11,411
	38,258		7,642
	12,001		12,999
	466,530		353,870
	109,837		333,437
	(3,160)		(3,160)
	(3,160)		(3,160)
	106,677		330,277
	402,165		-
\$	508,842	\$	330,277

REQUIRED SUPPLEMENTARY INFORMATION  
WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
<b>Revenues:</b>		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 356,373	\$ 356,373
Prior Years' Ad Valorem Taxes	1,200	1,200
Penalties and Interest on Taxes	1,200	1,200
Earnings on Investments and Deposits	-	-
Other Revenue from Local Sources:		
Charges for Services	-	-
Other	-	-
Revenue from Intermediate Sources:		
Revenue in Lieu of Taxes	-	-
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from Federal Government Through the State	134,500	134,500
<b>Total Revenue</b>	<b>493,273</b>	<b>493,273</b>
<b>Expenditures:</b>		
Instruction:		
Special Programs:		
Programs for Special Education	306,513	309,513
Support Services:		
Pupils:		
Psychological	35,000	43,000
Speech Pathology	45,000	63,000
Student Therapy Services	46,000	46,000
Support Services - Special Education		
Administrative Costs	21,964	21,964
<b>Total Expenditures</b>	<b>454,477</b>	<b>483,477</b>
Excess of Revenue Over ( Under) Expenditures	38,796	9,796
<b>Other Financing Sources (Uses):</b>		
Transfer Out	38,796	38,796
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(29,000)</b>
<b>Fund Balance - Beginning</b>	<b>429,563</b>	<b>429,563</b>
<b>Fund Balance - Ending</b>	<b>\$ 429,563</b>	<b>\$ 400,563</b>



ACTUAL AMOUNTS (BUDGETARY BASIS)		VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	
\$	393,214	\$	36,841
	3,398		2,198
	1,197		(3)
	3,936		3,936
	1,249		1,249
	140		140
	954		954
	117,505		(16,995)
	521,593		28,320
	242,411		67,102
	35,707		7,293
	50,212		12,788
	27,149		18,851
	21,476		488
	376,955		106,522
	144,638		134,842
	(42,732)		(3,936)
	101,906		130,906
	429,563		-
\$	531,469	\$	130,906

REQUIRED SUPPLEMENTARY INFORMATION  
WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
PENSION FUND  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
<b>Revenues:</b>		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 84,225	\$ 84,225
Prior Years' Ad Valorem Taxes	250	250
Penalties and Interest on Taxes	200	200
Earnings on Investments and Deposits	-	-
Revenue from Intermediate Sources:		
Revenue in Lieu of Taxes	-	-
Total Revenue	84,675	84,675
<b>Expenditures:</b>		
Instruction:		
Regular Programs:		
Elementary	24,500	24,500
Middle School	7,000	7,000
High School	18,500	18,500
Support Services - Pupils		
Guidance	1,900	1,900
Support Services - Instructional Staff		
Educational Media	4,050	4,050
Support Services - General Administration:		
Executive Administration	2,100	2,100
Support Services - School Administration		
Office of Principal	6,800	6,800
Support Services - Business:		
Fiscal Services	2,600	2,600
Operation and Maintenance of Plant	4,000	4,000
Transportation	700	700
Community Services:		
Care & Custody of Children	550	550
Nonprogrammed Charges:		
Early Retirement Payments	7,775	7,775
Cocurricular Activities:		
Combined Activities	4,200	4,200
Total Expenditures	84,675	84,675
Excess of Revenue Over (Under) Expenditures	-	-
Other Financing Sources (Uses):		
Transfers Out	-	-
Net Change in Fund Balances	-	-
Fund Balance - Beginning	69,811	69,811
Fund Balance - Ending	\$ 69,811	\$ 69,811

ACTUAL AMOUNTS (BUDGETARY BASIS)		VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	
-------------------------------------	--	--	--

\$	86,411	\$	2,186
	728		478
	261		61
	839		839
	204		204
	88,443		3,768

	23,125		1,375
	6,740		260
	17,315		1,185
	1,700		200
	3,990		60
	1,795		305
	6,370		430
	1,825		775
	3,695		305
	440		260
	550		-
	7,751		24
	2,415		1,785
	77,711		6,964
	10,732		10,732

	(839)		(839)
	9,893		9,893
	69,811		-
\$	79,704	\$	9,893

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2010

1. BASIS OF PRESENTATION:

The financial statements prepared in conformity with accounting principles generally accepted in the United States of America present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the budgetary Required Supplementary Information Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

2. BUDGETS AND BUDGETARY ACCOUNTING:

The School District followed these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year. The proposed budget is published for public review no later than July 15 each year. Public hearings are held to solicit taxpayer input prior to the approval of the budget. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- b. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in Item (d).
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2010

2. BUDGETS AND BUDGETARY ACCOUNTING: (CONT'D)

- e. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds.

No encumbrances were outstanding at June 30, 2010.

- f. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- g. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	AMOUNT FY 2010
U.S. Department of Agriculture:		
Pass-Through the S.D. Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 9,967
Cash Assistance: (Note 1)		
School Breakfast Program	10.553	19,954
National School Lunch Program	10.555	63,596
Summer Food Service Program for Children	10.559	15,978
Team Nutrition Grants	10.574	277
Total U.S. Department of Agriculture		<u>109,772</u>
U.S. Department of Labor:		
Pass-Through Jerauld County:		
Payments in Lieu of Taxes (Note 2)	15.226	7,648
Total U.S. Department of Labor		<u>7,648</u>
General Services Administration		
Pass-Through the S.D. Federal Property Agency:		
Donation of Federal Surplus Personal		
Property (Note 3)	39.003	2,863
Total General Services Administration		<u>2,863</u>
US Environmental Protection Agency		
Pass-Through the SD Department of Education		
State Clean Diesel Grant Program, Recovery Act	66.040	64,000
Total US Environmental Protection Agency		<u>64,000</u>
U.S. Department of Education:		
Pass-Through the S.D. Department of Education:		
Special Education - Grants to States (Note 2)	84.027	40,296
Special Education - Preschool Grants	84.173	2,494
Special Education - Grants to States, Recovery Act	84.391	71,288
Special Education, Preschool Grants, Recovery Act	84.392	3,427
Total for Special Education Cluster		<u>117,505</u>
Title I Grants to Local Educational Agencies	84.010	71,234
Career and Technical Education -		
Basic Grants to States	84.048	650

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	AMOUNT FY 2010
U.S. Department of Education: (Cont'd)		
Safe and Drug-Free Schools and Communities - State Grants (Title IV)	84.186	2,505
Education Technology State Grants	84.318	6,162
Rural Education	84.358	968
Improving Teacher Quality State Grants	84.367	30,168
Grants for Enhanced Assessments Instruments	84.368	144
Title I Grants to Local Educational Agencies, Recovery Act	84.389	49,101
State Fiscal Stabilization Fund	84.394	44,386
Total U.S. Department of Education		<u>322,823</u>
GRAND TOTAL		<u>\$ 507,106</u>

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of Wessington Springs School District No. 36-2 and is presented on the **modified accrual basis** of accounting unless otherwise noted. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.